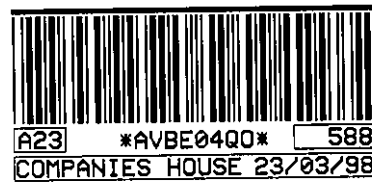


1107543 .

LLOYDS LEASING  
(NORTH SEA TRANSPORT)  
LIMITED

31 December 1997



Member of Lloyds TSB Group

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED  
203 Blackfriars Road London SE1 8NH

DIRECTORS

A E Moore CBE - Chairman  
J A Davies  
D H A Harrison  
P B Miles (alternate: A R Foad)

SECRETARY

N S Black

AUDITORS

Price Waterhouse

REGISTERED OFFICE

71 Lombard Street  
London EC3P 3BS

REGISTERED NUMBER

1107543

# LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

## REPORT OF THE DIRECTORS

### PRINCIPAL ACTIVITY

The principal activity of the company is the leasing of plant and equipment.

During the year the company incurred £11,783,000 of expenditure on leased assets and at the end of the year the cost of leased assets owned was £68,636,000.

The company is a partner in a leasing partnership, North Sea Marine Leasing Company.

### RESULTS AND DIVIDEND

The loss after taxation for the year ended 31 December 1997 amounted to £354,000, including a net profit of £2,757,000 attributable to North Sea Marine Leasing Company after taking account of interest costs, as set out in the profit and loss account on page 5.

### DIRECTORS

The names of the present directors of the company are shown on page 1.

All the directors are also directors of Lloyds Leasing Limited, the immediate parent company, and reference to their interests in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries is made in the report and accounts of Lloyds Leasing Limited.

### POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company's policy is to agree terms of payment with suppliers and these normally provide for payment within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

The number of days to be shown in this report, to comply with the provisions of paragraph 12(3) of part VI of schedule 7 to the Companies Act 1985, is 2. This bears the same proportion to the number of days in the year as the aggregate of the amounts owed to trade creditors at 31 December 1997 bears to the aggregate of the amounts invoiced by suppliers during the year.

On behalf of the board



N S Black  
Secretary

16 March 1998

## AUDITORS' REPORT TO THE MEMBER OF LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

### Respective responsibilities of directors and auditors

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

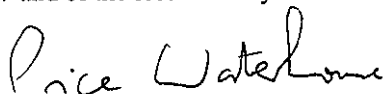
### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1997 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse  
Chartered Accountants  
and Registered Auditors

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

16 March 1998

## LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

### ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, in compliance with the Companies Act 1985 and in accordance with applicable accounting standards. The company is exempted from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 is included in the accounts of its ultimate parent company. In addition advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Lloyds TSB Group plc or other group or associated undertakings as the consolidated accounts of Lloyds TSB Group plc in which the company is included are publicly available.

The accounts of the company include its share of the assets, liabilities and results of the leasing partnership in which it has an interest.

(a) Income recognition - finance leases

Post-tax profits on leases are allocated to the profit and loss account in proportion to the net cash invested in each period taking into account the effects of taxation so as to give a constant periodic rate of return. The taxation charge and pre-tax profits are determined by reference to the post-tax profit allocated and the rate of tax applicable for the period. Income arising during the secondary lease period is recognised when due.

(b) Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are based on a year-end appraisal of rentals receivable less income allocated to future periods.

(c) Deferred taxation

Deferred taxation is provided at the appropriate rates of taxation where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 1997

	Note	1997 £000	1996 £000
TURNOVER	1	7,035	6,825
AMORTISATION OF LEASED ASSETS		5,973	4,694
		<hr/> 1,062	<hr/> 2,131
INTEREST EXPENSE	2	1,304	1,302
		<hr/> (242)	<hr/> 829
OPERATING EXPENSES			
Administrative expenses		420	39
Management fee payable to parent company		120	97
		<hr/> 540	<hr/> 136
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(782)	693
TAXATION (CREDIT) CHARGE	4	(428)	229
(LOSS) PROFIT AFTER TAXATION		<hr/> (354)	<hr/> 464

There are no further gains or losses attributable to the shareholder other than those disclosed above.

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES  
for the year ended 31 December 1997

	1997 £000	1996 £000
(LOSS) PROFIT FOR THE YEAR AFTER TAXATION	(354)	464
DIVIDEND	-	450
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CAPITAL AND RESERVES	(354)	14
CAPITAL AND RESERVES AT BEGINNING OF YEAR	24	10
	<hr/>	<hr/>
CAPITAL AND (NEGATIVE RESERVES) RESERVES AT END OF YEAR	(330)	24
	<hr/>	<hr/>

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

BALANCE SHEET  
at 31 December 1997

	Note	1997 £000	1996 £000
ASSETS			
CURRENT ASSETS			
DEBTORS			
Finance lease receivables			
within one year		4,530	5,251
after more than one year		43,460	35,013
	5	47,990	40,264
Amounts owed by group companies	7	4,022	9,767
Other debtors		40	119
		52,052	50,150
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	8	5	5
Profit and loss account	9	(335)	19
		(330)	24
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	10	9,526	9,115
CREDITORS			
Amounts owed to group companies	11	42,290	33,879
Loan		-	7,030
Other creditors		566	102
		42,856	41,011
		52,052	50,150



A E Moore - Chairman



P B Miles - Managing Director

The notes on pages 8 to 10 form part of these accounts.



# LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

## NOTES TO THE ACCOUNTS

### 1 TURNOVER

Turnover represents gross rentals receivable in the year.

### 2 INTEREST EXPENSE

	1997 £000	1996 £000
Interest expense comprises:		
Interest payable to group companies on bank loans and overdrafts	1,726	1,919
Less: interest receivable from group companies	(421)	(594)
from others	(1)	(23)
	(422)	(617)
	1,304	1,302

### 3 DIRECTORS' EMOLUMENTS

An aggregate amount of £3,000 was deemed to have been paid by Lloyds Bank Plc for the services of one director in respect of the management of the affairs of the company (1996: £3,000 to one director). There were no other directors' emoluments paid in respect of services to the company.

### 4 TAXATION (CREDIT) CHARGE

	1997 £000	1996 £000
Group relief (receivable) payable - current year	(878)	664
Group relief (receivable) payable - prior year	39	-
Deferred taxation charge (credit)	411	(435)
	(428)	229

The taxation charge on the profit for the year has been based on a United Kingdom corporation tax rate of 31.5% (1996:33%).

The movement in the deferred tax balance includes a one off credit amounting to £568,000, as a consequence of the reduction in the rate of corporation tax from 33% to 31%. A corresponding adjustment has been made for the charge for amortisation and the net book value of finance lease receivables to reflect the net reduction in future rentals.

# LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

## NOTES TO THE ACCOUNTS

### 5 FINANCE LEASE RECEIVABLES

	1997 £000	1996 £000
Future rentals	112,982	50,459
Less:		
Rentals received in advance	(635)	(980)
Income allocated to future periods	(64,357)	(9,215)
	<hr/> 47,990	<hr/> 40,264

Finance lease receivables represent the cost of leased assets less rentals received in advance after providing for the following:

Accumulated amortisation	20,011	43,851
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### 6 LEASING PARTNERSHIP

The company has an interest in a leasing partnership, North Sea Marine Leasing Company. The company's share of the results and net assets of the partnership has been included in these accounts on a proportional consolidation basis. Included in finance lease receivables is £35,422,000 (1996: £38,757,000) relating to this partnership.

Under the terms of the Partnership Act 1890, there is unlimited liability in connection with the company's participation in the partnership.

### 7 AMOUNTS OWED BY GROUP COMPANIES

	1997 £000	1996 £000
Amounts falling due within one year:		
Group relief receivable	4,022	2,055
Sums due from fellow subsidiary companies	-	7,712
	<hr/> 4,022	<hr/> 9,767

### 8 CALLED UP SHARE CAPITAL

	1997 £000	1996 £000
Authorised:		
Ordinary shares of £1 each	5	5
5% Redeemable preference shares of £1 each	3,000	3,000
	<hr/>	<hr/>
Allotted and issued fully paid:		
Ordinary shares of £1 each	5	5
	<hr/>	<hr/>

The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent company of the largest group of companies for which group accounts are drawn up and of which the company is a member. Lloyds Bank Plc is the parent company of the smallest such group of companies. Copies of the group accounts of both may be obtained from the company secretary's office, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

NOTES TO THE ACCOUNTS

9 PROFIT AND LOSS ACCOUNT

£000

At 1 January 1997

19

Retained profit for the year

(354)

At 31 December 1997

(335)

10 DEFERRED TAXATION

£000

At 1 January 1997

9,115

Charge for the year

411

At 31 December 1997

9,526

11 AMOUNTS OWED TO GROUP COMPANIES

1997  
£000

1996  
£000

Amounts falling due within one year:

Bank overdraft

7,601

6,239

Bank borrowings

31,074

25,251

Interest payable

18

10

Group relief payable

3,147

1,929

Interim dividend

450

450

42,290

33,879

12 DATE OF APPROVAL

The directors approved the accounts on 16 March 1998.